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SENSITIVE  
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TAGS: [ECON](#) [EFIN](#) [TU](#)  
SUBJECT: KEY TURKISH BUSINESS GROUPS DISCUSS POST-CAIRO  
ENVIRONMENT WITH S/P SLAUGHTER

REF: ISTANBUL 209

11. (SBU) Action request - see para 11.

12. (SBU) (Summary) Director of Policy Planning (S/P) Anne-Marie Slaughter met with representatives of MUSIAD (Independent Industrialist and Businessmen's Association) and TAIK (Turkish-U.S. Business Council) in Istanbul to discuss prospects for U.S.-Turkish relations in the aftermath of President Obama's June 4 Cairo speech. The discussions covered a broad range of topics including trade, investment, energy and regional diplomacy. MUSIAD members emphasized that while the President's April trip and his speech have been well received in Turkey and throughout most of the Islamic World they are not a substitute for concrete action on trade, direct investment and diplomacy. The Turkish group offered that Reconstruction Opportunity Zones (ROZ's) along the Turkish-Iraqi border with Turkish participation would be significant in this regard, a point underscored later by TAIK. Dr. Slaughter emphasized that the Obama Administration views the relationship with Turkey in a broader and more multi-faceted context than did the past administration, and she posited multi-faith initiatives and entrepreneurialism as key themes for Turkey in the coming years. (End summary).

13. (SBU) S/P Director Dr. Anne-Marie Slaughter and S/P staffer Dean Pittman met on June 25 with MUSIAD members Sevet Tulumen, Murat Kalsin, Vice-Chairman Nail Olpak, Dr. Ibrahim Ozdemir of Marmara University and Dr. Ali Resul Usul of Bahcesehir University. The S/P visitors later met with Serif Egeli at a TAIK-hosted luncheon.

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TALK ALONE WILL NOT SUFFICE  
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14. (SBU) MUSIAD was founded in 1990 and has 2850 corporate members. Unlike TUSIAD (Turkish Industrialists and Businessmen's Association) its membership tends to be small and medium sized companies (SME's) and the cultural orientation of the organization is conservative. In the eyes of its leadership, MUSIAD's power is largely social and cultural. They are not as economically powerful as TUSIAD, but they believe that they have strong contact with the "common man" in Turkey. They also believe that the trend in Turkey will incline toward greater cultural and religious conservatism in the future, but that this should not be viewed as a trend away from democracy, since the two phenomena are not incompatible.

15. (SBU) The MUSIAD interlocutors pulled no punches during the morning session. Speeches and symbolic gestures are fine, they noted, but the region is waiting for action. One of the interlocutors noted that former President

Clinton's image in Turkey was higher even than Obama's and, he observed wryly, "Even Bush gave an occasional well-received speech." One speaker noted that Turkey has a foreign trade sector that approaches USD 290 billion, but that the volume of Turkish exports to the United States is almost insignificant. (Note: Turkey's exports to the United States in 2008 totaled USD 4.29 billion. End note).

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TURKEY WANTS A PEACEFUL NEIGHBORHOOD  
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¶6. (SBU) Dr. Ozdemir described a number of issues which he felt impeded better relations between the United States and Turkey. He pointed out that Turkey lives, and trades, in a region which includes Iran, Syria and Iraq, and that the war in Iraq has greatly destabilized the region. However, Turkey fears that any attempt on its part to maintain a stable and beneficial relationship with Iran and Syria will be frowned upon by the United States. In addition, Ozdemir argued that America's "one-sided" support for Israel against the Palestinians is deeply detrimental in the eyes of Muslims around the world. Invoking the well-known 2006 study on the Israel lobby in the United States by professors Mearsheimer and Walt, Ozdemir asked why the United States would pursue policies in Israel/Palestine that were clearly detrimental to its own (again, in Ozdemir's view) national interest. He also highlighted a relative lack of U.S. direct investment in Turkey, and cited what he described as a "widely held view" in Turkey that the United States opposes the use of nuclear energy in Turkey. To Ozdemir, it is ironic and troubling

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that Russia seems to be ahead of the United States both in terms of direct investment and nuclear energy.

¶7. (SBU) Dr. Slaughter responded that the partnership between Turkey and the United States is changing in the sense that the Obama Administration views the bilateral relationship in broader terms than in the past. The United States wishes to strengthen its commercial relationship with Turkey, both in trade and investment. Dr. Slaughter emphasized that Turkey is well on its way to becoming a major influence in the region, and represents a "gateway" to the East and to the South. She urged Turkey to pursue "soft power" (diplomacy, trade, etc.) toward that end. Emphatically, she invoked entrepreneurialism and multi-faith initiatives as major avenues that will enhance Turkey, both domestically and in its growing role as a regional player. The new paradigm for the bilateral relationship between Turkey and the United States is no longer merely "strategic" in the traditional military sense but also cultural, social and commercial.

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LUNCH WITH SERIF EGELI OF TAIK  
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¶8. (SBU) TAIK, in cooperation with TOBB (Union of Chambers and Commodity Exchanges in Turkey) seeks to "pioneer" the Turkish business world in its foreign relations, and generally has a more pro-Western and multinational outlook than does MUSIAD. Perhaps not surprisingly, the TAIK Vice Chairman was more moderate in tone and a bit more upbeat than were the MUSIAD representatives. Egeli noted, for instance, that the United States no longer has textile quotas, though he conceded that Turkey pays higher customs duties than some of its competitors, such as Egypt. In any event, Egeli pointed out that China already has 80% of the U.S. textile market, and therefore the only realistic growth area for Turkey would be in high-end textiles. Interestingly, he believes that Islamic Finance has great potential in Turkey, and that Turkey's four "participation" banks could possibly grow in the areas of trade and retail finance (see reftel). Egeli also underscored that everyone in Turkey wants to do business

with Russia, currently one of its biggest trading partners.

¶9. (SBU) Egeli views trade with Iraq as crucial and growing, and thinks that Reconstruction Opportunity Zones (ROZ's) similar to those proposed for Pakistan are an exciting possibility. (Note: In June the House of Representatives passed a bill authorizing the creation of ROZ's in Pakistan and Afghanistan, and the bill is currently in committee in the Senate. End note). ROZ's along Turkey's Iraq border would be welcome by many Turkish businessmen, though this would require Congress to pass legislation. Egeli believes that the ROZ's could become high-tech zones, with an emphasis on desktop and laptop computers, telecommunications and computer software. He noted that Cisco Systems, Microsoft and other high-tech multinationals already have a presence in Turkey. Regarding the Pakistan ROZ's, Egeli offered to host a conference in Turkey outlining details on how Turkish businesses could participate. ConGen Istanbul is prepared to follow up on the offer pending Washington's concurrence.

¶10. (SBU) Comment: The discussions with MUSIAD and TAIK illustrate both the opportunities and the pitfalls in the USG's evolving relationship with Turkey, and more broadly with the Muslim world. President Obama's interest in greater trade and investment between Turkey and the United States, and our encouragement of Turkey to utilize soft power with its neighbors, dovetails beautifully with Turkey's quest to become a regional political and economic leader. The Turkish private sector, however, continues to see trade with the United States as difficult to impossible without special concessions such as ROZ legislation. They have tried for years, without success, to have Turkey included in Qualified Industrial Zone (QIZ) legislation. Many people in Turkey and the Muslim world will continue to take a wait-and-see attitude on whether the United States seriously intends to help create a stable and prosperous neighborhood in the region. End comment.

¶11. (SBU) Action request. On the margins of the meeting, MUSIAD representatives asked for USG assistance to put them in contact with appropriate trade association contacts in

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Iraq to facilitate Turkish-Iraq commerce. ConGen Istanbul requests Department guidance on how best to assist MUSIAD to develop commercial contacts in Iraq, either via Embassy Baghdad FCS, or directly between MUSIAD and Iraqi trade association counterparts.

¶12. (U) This cable was cleared by S/P Director Slaughter.

WIENER